

Message Text

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ACTION EUR-08

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TAGS: EINV, EGEN, ELAB, PINT, BBAK
SUBJECT: RANCO CLOSURE

REF: MILAN 1588

1. SUMMARY. PREFECT OF COMO, MICHELE, HAS NOW OFFERED INTERVENE WITH TRADE UNION LEADERSHIP TO PROPOSE CUT IN WORK FORCE. RANCO PRESIDENT MANEKE REPLIED THAT DECISION TO CLOSE FINAL BUT THAT HE WOULD REPORT ANY NEW DEVELOPMENTS TO RANCO BOARD. MANAGEMENT PREVIOUSLY AGREED FINAL TOP LEVEL MEETING WITH LOCAL INTERESTS PRESUMABLY AFTER SEPT 12, FIRST DATE WHEN MANEKE COULD RETURN. BALL NOW IN PREFECT'S COURT.

2. FOLLOWING CONGEN'S TALK WITH HIM ON 29, PREFECT ASKED CONGEN ON 30 FOR PRIVATE INFORMAL MEETING WITH RANCO'S MANAGEMENT TO EXPLORE REDUCTION IN FORCE. MANEKE RELUCTANT TO MEET WITHOUT LEGAL COUNSEL AND IN FINAL HOUR BEFORE DAPARTURE TO US BUT FINALLY AGREED TO DO SO AT AIRPORT.

3. PREFECT AND CHEF DE CABINET, MANEKE, RANCO'S EUROPEAN MANAGER RANDOLPH ROBERT AND CONGEN MET FOR HALF HOUR IN VERY FRIENDLY ATMOSPHERE.

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4. MICHELE EXPLAINED THAT RANCO ONLY EMPLOYER IN LOMAZZO,

SECOND LARGEST IN PROVINCE AND LARGEST CLOSING IN REGION.
NO MATTER HOW SLIM CHANCE, HE HAD TO SEARCH FOR A WAY TO KEEP
PLANT OPEN ESPECIALLY AS OTHER CLOSINGS THREATENING. UNDER
WHAT CIRCUMSTANCES, HE ASKED, WOULD MANEKE RECOMMEND REOPENING?

5. MANEKE SAID THAT AFTER MONTHS OF BONA FIDE NEGOTIATIONS TO
GET RELIEF FROM EXCESS LABOR AND STONEWALLING BY UNIONS,
RANCO HAD DRAWN INESCAPABLE CONCLUSION THAT IT COULD NOT
GO ON. HIS MANDATE WAS TO CLOSE AND THAT WAS ALL HE COULD DO.
HE WOULD REPORT PREFECT'S AND COCGAN'S CONSTRUCTIVE EFFORTS TO
HIS BOARD, BUT COULD HOLD OUT NO HOPE OF CHANGING DECISION.
ROBERTS EMPHASIZED FINALITY OF DECISION.

6. PREFECT SAID CLOSURE HAD CREATED NEW SITUATION. HE WOULD
CALL IN MODERATE UNION LEADERSHIP EARLY IN WEEK TO SEE IF,
IN NEW SITUATION, THERE WAS ANY BIAM? HE WOULD EXPLORE CUTS IN
LABOR FORCE PLUS FINANCING FOR DIVERSIFICATION AND INFORM CONGEN
TO PASS TO RANCO.

7. MANEKE WAS NON-COMMITAL AND ASKED THAT CONTACT ALSO BE KEPT
WITH RANCO'S LOCAL LAWYER, A POSITION WARMLY SECONDED BY
ROBERT.

8. MEETING CLOSED WITH IMPLICATION OF ANOTHER SESSION AFTER
SEPT 12, ALTHOUGH BOTH MANEKE AND ROBERT REPEATED THEIR DOUBT OF ANY
CHANGE.

9. MANEKE'S GOOD NAZURED FIRST WORDS AFTER PREFECT'S DEPARTURE
WERE QUOTE WHERE WAS ALL THIS HELP WHEN WE NEEDED IT? I DIDN'T
KNOW STATE DEPARTMENT GOT INVOLVED IN LABOR RELATIONS...END QUOTE.
TO WHICH WE REPLIED THAT WE MIGHT HAVE BEEN MORE HELPFUL
BEFORE READING ABOUT PROBLEM IN PRESS.

10. I URGED MANEKE CONSIDER PACKAGE OF REDUCED LABOR FORCE,
FINANCING FOR DIVERSIFICATION AND AGREEMENT TO ACCEPT OVERTIME
TO ALLOW GREATER PRODUCTION FLEXIBILITY IF SOMETHING LIKE THAT
COULD BE DEVELOPED. ALSO EXPLAINED OUR FEAR THAT CLOSING
WOULD POISON FUTURE INVESTMENT CLIMATE, STIMULATE EXTREMISM
AND TRIGGER OTHER CLOSINGS. MANEKE FULLY AND REGRETFULLY
CONCURRED IN DANGER.
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11. FYI. MY GUESS IS THAT ROBERT IS PRIME MOVER FOR CLOSURE,
POSSIBLY ALSO TO RATIONALIZE RAFCB PRODUCTION SINCE UK NOW IN
EC AND PLANT THERE BY FAR LOWEST COST RANCO PRODUCER. IF
THIS GUESS ACCURATE, HE WOULD HAVE TROUBLE BACKING GFF ESPECIALLY
IF, AS IT WOULD APPEAR, HE HAD NOT GONE TO PREFECT HIMSELF.
THIS COULD HELP EXPLAIN WHY HE WANTS NEGOTIATIONS HANDLED THROUGH
LOCAL ITALIAN MANAGEMENT WHICH REPORTS TO HIM. I TOLD HIM IN

FRIENDLY WAY THAT WHILE WE WOULD CERTAINLY KEEP LOCAL ITALIAN MANAGEMENT INFORMED OF PREFECZ'S EFFORTS, I FELT IT ESSENTIAL ALSO TO KEEP TOP MANAGEMENT IN COLUMBUS DIRECTLY INFORMED AND WOULD DO SO.

12. AS FOR MANEKE*SHESMY BE MORE INTERESTED IN A SOLUTION THAN HE HAS SAID. BUT, OF COURSE, HE MUST BE COCCERNED NOT TO UNDERCUT ROBERT IF THAT SHOULD BE THE CASE. MANEKE MAY SEE APPEAL IN COMPROMISE BECAUSE: 1) YE WANTS TO AVOID PLANT BEING TAKEN OVER BY COMPETITOR; 2) HE SAYS QUALITY OF PRODUCT MADE IN LOMAZZO OUTSTANDING AND THAT LABOR COST ABOUT MID-WAY BETWEEN US HIGH AND UK LOW AND 4) RONCO VERY MUCH WANTS TO STAY IN ITALIAN MARKET.

13. ON ITALIAN SIDE, PREFECT SAID HE FELT UNION LEADERSHIP IN GENERAL MAY BE ON POINT OF BACKING OFF HARD LINE OF DISMISSALS AND FACT THAT RANCO HAS SENT OUT DISMISSAL NOTICES MAY NOW HAVE CREATED LOCAL SITUATION IN WHICH EMPLOYEES AND UNION LEADERSHIP MIGHT COMPROMISE. BUT HE SAYS IT IS A LONG SHOT.

14. ACTION SUGGESTED

A. DEPARTMENT. WOULD BE HELPFUL WERE DEPT TO CONTACT RANCO (MANEKE) IN COLUMBUS TO underscore IMPORTANCE FINDING SOLUTION SHORT OF CLOSING.

B. ROME. SINCE RANCO DOES NOT WANT LOMAZZO PLANT TO GO TO COMPETITOR AND SINCE EXPECTATION OF IRI BAIL-OUT WOULD ENCOURAGE UNION INFLEXIBILITY, BELIEVE WE WHOULD NOT ENCOURAGE GOI TO SEEK TKE OVER SOLUTION AT LEAST UNTIL OTHER AVENUES EXHAUSTED. FINA

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